



The HUDSON Communique

HUDSON INSTITUTE
Croton-on-Hudson, N.Y. 10520

AUGUST 1981

Volume 1
Issue 1

ANALYSIS:

THE NON-INVASION OF POLAND

Ernest Schneider

During the year which has elapsed since a wave of strikes initiated profound changes in Poland, we have repeatedly heard predictions that the Red Army would invade its closest and largest ally. Although the invasion threat is very much alive at this writing, the interesting question now is less whether the Red Army will move than why this option was not chosen months ago--when it would have been somewhat less onerous than it is today.

Those who predict a Russian military move can cite abundant evidence to support their case. The Soviet Union has twice used force in Eastern Europe under circumstances similar to the current Polish drama: Hungary in 1956 and Czechoslovakia in 1968. Even the timing--another interval of about twelve years--is right. In Hungary, Prime Minister Imre Nagy was swiftly propelled by events to re-establish a multi-party system and leave the Warsaw Pact. While avoiding these mistakes, Czechoslovak First Party Secretary Dubcek was presiding over changes in the Communist Party that were transforming it, in Moscow's eyes, into an instrument of counter-revolution.

By now, Poland has already passed several thresholds of orthodoxy which go beyond anything which transpired in Czechoslovakia. The independent trade union Solidarity has usurped much of the power formerly wielded by the party and government, and a similar union of independent farmers has been legally established.

Continued on page 4

ANALYSIS:

FINANCIAL INNOVATION

Irving Leveson

Technology has become more important than interest rates in driving change in the rapidly evolving financial services industry. Until recently, the major pressures for change have come from inflation, as savers and investors moved funds in search of higher yields and as new arrangements develop to provide protection against inflation and economic risk. Technologies which allow a rapid transfer of funds have allowed the system to respond much more quickly to changing conditions and have made possible the development of new institutions and financial arrangements. Computer and communications technologies can be expected to provide extensive opportunities for businesses and consumers to direct transactions from offices and community locations. Technological change is having such a

financial services industry that it is no longer dependent on high rates of inflation and

Continued on page 7

ANALYSIS:

ISRAEL AND THE IRAQI BOMB

Lewis A. Dunn

On Sunday, June 7, 1981, Israeli warplanes attacked and apparently destroyed a 40-MW Iraqi nuclear research reactor. Justifying this unprecedented preventive strike, Israeli Prime Minister Menachem Begin asserted that this reactor was about to be used by Iraq to make nuclear weapons for use against Israel.

Since the mid-1970s, Iraq had been purchasing nuclear material and facilities that, once completed, could have been illegally used to produce enough plutonium for about one Hiroshima-type bomb per year.

Continued on page 6

Inside...

- HERMAN KAHN ON A REEMERGENT AMERICA
- AN INTERVIEW WITH OMB'S BILL SCHNEIDER
- THE ISRAELI ELECTION--AN ANALYSIS
- THE FAILURE OF ECONOMICS EDUCATION
- AND A WORD FROM THE PRESIDENT OF THE HUDSON INSTITUTE